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Chapter 02 Organization Strategy and Project Selection Answer Key

Multiple Choice Questions

1. Which of the following is NOT true about an organization's strategy?

A. Strategy determines how an organization will compete.
B. Strategy is implemented through projects.
C. Only top management must understand strategy.
D. Project selection should be clearly aligned with strategy.
E. Project management plays a key role in supporting strategy.

Strategy was considered to be under the purview of senior management, but this is old school thinking. Projects and project management play a key role in supporting strategic goals. It is vital for project managers to think and act strategically.

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Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

2. A project selection process that is strongly linked to strategy results in

A. The most profit.
B. Better utilization of the organization's resources.
C. More projects.
D. A larger and more diverse organization.
E. Stronger core competencies.

Without integration of projects with the strategic plan, resources are poorly utilized. Conversely, organizations that have a link of projects to strategy have more cooperation across the organization, perform better on projects and tend to have fewer projects.

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3. Which of the following is NOT true about organizational politics?

A. Project managers should not engage in organizational politics.
B. Politics can have a significant influence on which projects receive funding.
C. Politics exist in every organization.
D. Politics can influence project selection.
E. Politics can play a role in the aspirations behind projects.

Many would argue that project management and politics should not mix. A more proactive response would be that projects and politics invariably mix. Effective project managers recognize that any significant project has political ramifications.

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Learning Objective: 02-03 Understand the need for a project priority system.
Topic: The Need for a Project Priority System

4. Which of the following terms is often used to denote a project that a powerful, high-ranking official is advocating?

A. Sacred cow
B. Pet project
C. Political necessity
D. Special undertaking
E. Strategic ploy

The term 'sacred cow' is often used to denote a project that a powerful, high-ranking official is advocating.

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5. Why do project managers need to understand their organization's mission and strategy?

A. To reduce project duration and increase the number of projects implemented
B. So they can make appropriate decisions and adjustments and be effective project advocates
C. It is only important for senior management to understand the organization's mission and strategy.
D. To get their job done and increase opportunities for promotion
E. So that they can make sure the customer is satisfied

There are two main reasons why project managers need to understand their organization's mission and strategy. The first reason is so they can make appropriate decisions and adjustments. For example, how a project manager would respond to a suggestion to modify the design of a product to enhance performance will vary depending upon whether his company strives to be a product leader through innovation or to achieve operational excellence through low cost solutions. The second reason project managers need to understand their organization's strategy is so that they can be effective project advocates. Project managers have to be able to demonstrate to senior management how their project contributes to their firm's mission.

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6. Project managers who understand the role that their project plays in accomplishing the organization's strategy will be inclined to do all of the following EXCEPT

A. Demonstrate to senior management how their project contributes to the firm's mission.
B. Explain to team members why certain project objectives and priorities are critical.
C. Explain to stakeholders why certain project objectives and priorities are critical.
D. Be able to respond appropriately to delays and/or questions about product design.
E. Be able to focus on problems or solutions if the project is a low priority strategically.

Project managers who understand the role that their project plays in accomplishing the organization's strategy will not be inclined to waste time focusing on problems that are a low priority in regard to achieving the organization's strategy.

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7. All of the following are symptoms of organizations struggling with strategy disconnect and unclear priorities EXCEPT

A. Frequent conflicts between managers.
B. Inadequate resources.
C. Confused employees regarding which projects are more important.
D. Not enough projects within the portfolio to make a profit.
E. People are working on multiple projects and feel inefficient.

Frequent conflicts between managers, inadequate resources, confused employees and multitasking are all symptoms of organizations struggling with strategy disconnect and unclear priorities. Typically these organizations are also completing projects with low priority which results in a portfolio that consists of too many projects that do not align with organizational strategy.

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Learning Objective: 02-03 Understand the need for a project priority system.
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8. Which of the following problems refers to lack of understanding and consensus of organization strategy among top and middle-level managers? This also can result when top management formulates strategy and leaves implementation to functional managers.

A. Multitasking
B. Organization politics
C. Implementation gap
D. Resource conflicts
E. Employee turnover

The implementation gap refers to the lack of understanding and consensus of organization strategy among top and middle-level management.

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9. Which of the following is NOT true for strategic management?

A. It should be done once every few years just before developing the operating plan.
B. It supports consistency of action at every level of the organization.
C. It develops an integrated and coordinated long-term plan of action.
D. It positions the firm to meet the needs of its customers.
E. It involves responding to changes in the external market and allocating scarce resources to improve a competitive position.

Two major dimensions of strategic management are responding to changes in the external environment and allocating scarce resources of the firm to improve its competitive position. Constant scanning of the external environment for changes is a major requirement for survival in a dynamic competitive environment.

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10. Which of the following is the correct order for the strategic management process?

A. Strategies, mission, objectives, projects
B. Objectives, projects, mission, strategies
C. Mission, strategies, objectives, projects
D. Objectives, mission, strategies, projects
E. Projects, mission, strategies, objectives

Once the mission statement has been written, strategies are formulated. After this, objectives are developed to achieve the strategy and finally strategies are implemented through projects.

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11. Which of the following questions does the organization's mission statement answer?

A. What are our long-term strategies?
B. What are our long-term goals and objectives?
C. How do we operate in the existing environment?
D. What do we want to become?
E. All of these are answered by the mission statement.

The mission identifies 'what we want to become,' or the raison d'être. Mission statements identify the scope of the organization in terms of its product or service. They communicate and identify the purpose of the organization to stakeholders.

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12. Which of the following is NOT one of the traditional components found in mission statements?

A. Major products and services
B. Profitability
C. Target customers and markets
D. Geographic domain
E. Contribution to society

Traditional components found in mission statements are major products and services, target customers and markets, and geographical domain. In addition, statements frequently include organizational philosophy, key technologies, public image, and contribution to society.

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13. Which of the following is NOT one of the characteristics of effective objectives?

A. Realistic
B. Assignable
C. Flexible
D. Specific
E. Measurable

Characteristics of effective objectives are that they are specific, measurable, assignable, realistic and related to time.

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14. In order to formulate strategies that align with the mission some of the activities the organization will need to perform are

A. Assess internal strengths and weaknesses.
B. Analyze competitors.
C. Examine the external environment.
D. Know their core competencies.
E. All of these should be considered when formulating strategies.

Strategy formulation includes assessment of the internal and external environments.

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15. The assessment of the external and internal environments is called _____ analysis.

A. SWOT
B. Competitive
C. Industry
D. Market
E. Strategic

The keys are to attempt to forecast fundamental industry changes and stay in a proactive mode rather than a reactive one. This assessment of the external and internal environments is known as the SWOT analysis (strengths, weaknesses, opportunities, and threats).

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16. Which of the following would be classified as an organizational external threat?

A. Slowing of the economy
B. Excellent employees
C. Poor product quality
D. Declining facilities
E. High labor costs

Examples of perceived external threats could be a slowing of the economy, a maturing life cycle, exchange rates, or government regulation.

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17. Which of the following would be classified as an organizational opportunity?

A. Low debt
B. Excellent employees
C. Increasing product demand
D. Talented management
E. Government regulation

Typical opportunities are increasing demand, emerging markets, and demographics. Managers or individual firms have limited opportunities to influence such external environmental factors; however, in recent years notable exceptions have been new technologies such as Apple using the iPod to create a market to sell music.

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18. Which of the following is NOT one of the requirements for successful implementation of strategies through projects?

A. Allocation of resources
B. Prioritizing of projects
C. Motivation of project contributors
D. Adequate planning and control systems
E. Quality management

First, completing tasks requires allocation of resources. Resources typically represent funds, people, management talents, technological skills, and equipment. Frequently, implementation of projects is treated as an 'addendum' rather than an integral part of the strategic management process. However, multiple objectives place conflicting demands on organizational resources. Second, implementation requires a formal and informal organization that complements and supports strategy and projects. Authority, responsibility, and performance all depend on organization structure and culture. Third, planning and control systems must be in place to be certain project activities necessary to ensure strategies are effectively performed. Fourth, motivating project contributors will be a major factor for achieving project success. Finally, areas receiving more attention in recent years are portfolio management and prioritizing projects.

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19. Which of the following is NOT a problem associated with the absence of a project portfolio system?

A. Organizational politics
B. Lack of funding
C. Resource conflicts
D. Multitasking
E. Implementation gap

A project portfolio system can go a long way to reduce the impact the implementation gap, organization politics, resource conflicts and multitasking.

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Learning Objective: 02-03 Understand the need for a project priority system.
Topic: The Need for a Project Priority System

20. Susie's department is implementing many projects. She finds herself starting and stopping work on one task to go and work on another task, and then return to the work on the original task. Susie is experiencing

A. Poor scheduling.
B. Excess work burden.
C. Flexible tasking.
D. Multitasking.
E. Burnout.

Resource sharing also leads to multitasking. Multitasking involves starting and stopping work on one task to go and work on another project, and then returning to the work on the original task. People working on several tasks concurrently are far less efficient, especially where conceptual or physical shutdown and startup are significant.

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Learning Objective: 02-03 Understand the need for a project priority system.
Topic: The Need for a Project Priority System

21. Project selection criteria are typically classified as

A. Financial and nonfinancial.
B. Short-term and long-term.
C. Strategic and tactical.
D. Required and optional.
E. Cost and schedule.

Although there are many criteria for selecting projects, selection criteria are typically identified as financial and nonfinancial.

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Learning Objective: 02-03 Understand the need for a project priority system.
Topic: A Portfolio Management System

22. The _____ financial model measures the current value of all cash inflows using management's minimum desired rate of return.

A. FUBAR
B. ARR
C. IRS
D. IRB
E. None of these
The net present value (NPV) model uses management's minimum desired rate of return to compute the present value of all net cash inflows.

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Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 Understand the need for a project priority system.
Topic: A Portfolio Management System

23. Projects are usually classified into all but one of the following categories. Which one is NOT one of the typical classifications?

A. Compliance and emergency
B. Operational
C. Strategic
D. Political necessity
E. All of these are typical classifications.
Many organizations find they have three different kinds of projects in their portfolio: compliance and emergency (must do), operational, and strategic projects.

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Learning Objective: 02-03 Understand the need for a project priority system.
Topic: A Portfolio Management System

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24. One who endorses and lends political support for the completion of a specific project is known as the

A. Project manager.
B. CEO.
C. Project sponsor.
D. Project lead.
E. Sacred cow.

Project sponsors play a significant role in the selection and successful implementation of product innovation projects. Project sponsors are typically high-ranking managers who endorse and lend political support for the completion of a project.

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Learning Objective: 02-03 Understand the need for a project priority system.
Topic: The Need for a Project Priority System

25. A project screening matrix typically contains all of the following EXCEPT

A. The list of available projects.
B. Specific criteria.
C. Weights assigned to specific criteria.
D. Costs to complete each project.
E. All of these are typically contained.

Screening matrices should contain both financial and nonfinancial criteria that align with organization strategy. Weights are assigned to these criteria based on how well they align with strategy. Available projects are included in the matrix for comparison.

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Learning Objective: 02-03 Understand the need for a project priority system.
Topic: A Portfolio Management System

26. Regardless of the criteria differences among different types of projects, typically the most important criterion for project selection is

A. how the project will balance risk within the project portfolio.
B. the project's fit to the organization strategy.
C. compliance.
D. nonfinancial.
E. profit.

The project's fit to the organization strategy is the most important criterion for project selection. This criterion should be consistent across all types of projects and carry a high priority relative to other criteria.

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Difficulty: 2 Medium
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: Applying a Selection Model

27. Examples of nonfinancial criteria include all of the following EXCEPT

A. Capturing a larger market share.
B. Reducing dependency on unreliable suppliers.
C. Preventing government intervention and regulation.
D. Making it difficult for competitors to enter the market.
E. Calculating the time it will take to recover the project investment.

The payback model measures the time it will take to recover the project investment. It is considered a financial criterion.

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Difficulty: 1 Easy
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Topic: A Portfolio Management System

28. Which of the following is true of multiweighted scoring models?

A. Will include quantitative criteria
B. Will include qualitative criteria
C. Each criterion is assigned a weight.
D. Projects with higher scores are considered more desirable.
E. All of these are true.

A weighted scoring model typically uses several weighted selection criteria to evaluate project proposals. Weighted scoring models will generally include qualitative and/or quantitative criteria. Each selection criterion is assigned a weight. Scores are assigned to each criterion for the project, based on its importance to the project being evaluated. The weights and scores are multiplied to get a total weighted score for the project. Using these multiple screening criteria, projects can then be compared using the weighted score. Projects with higher weighted scores are considered better.

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29. Which of the following is NOT true when managing a portfolio system?

A. The qualities of a particular project are assessed within the context of existing projects.
B. It does not require a constant effort.
C. Within a small organization it can be managed by a small group of key employees.
D. It requires input from senior management.
E. It involves monitoring and adjusting criteria to reflect the strategic focus of the organization.

Managing a project portfolio system requires a constant effort in order to make sure selection criteria reflect the strategic focus of the organization.

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Blooms: Understand
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Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: Managing the Portfolio System

30. The following are responsibilities of the governance team when managing a portfolio system EXCEPT

A. Deciding how organizational resources are allocated among the different types of projects.
B. Publishing the priority of every project and ensuring the process is open and free of power politics.
C. Evaluating the progress of the projects in the portfolio.
D. Constant scanning of the external environment to determine if organizational selection criteria need to be changed.
E. Communicating which projects are approved.

Deciding how they wish to balance the available organizational resources among the different types of projects is the responsibility of senior management along with providing guidance in establishing selection criteria that strongly align with the current organization strategies.

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Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: Managing the Portfolio System

31. When a prioritization team is balancing projects, they consider all factors except for

A. risk.
B. resource demand.
C. leadership style.
D. type of project.

Leadership style is how the manager manages, it only has relevance if it does not assist the project meet its goals.

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Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: Managing the Portfolio System

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32. When it comes to project prioritization, senior management is responsible for

A. setting the course for the organization.
B. determining the priority of each project.
C. developing a culture where everyone contributes to the project success.
D. all of the above.
Senior management has ultimate responsibility to the company principles and due to that, must set the outer boundaries for projects accomplished within their organization.

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Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: Applying a Selection Model

33. When creating a selection model, it is important to

A. make it mathematically complex so it cannot be "gamed."
B. not use it as the final determination for project selection.
C. assure the objectivity of the model.
D. keep it secret from those submitting project proposals.
The selection model should only exist to assist those in making a final determination.

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Difficulty: 2 Medium
Learning Objective: 02-04 Apply financial and nonfinancial criteria to assess the value of projects.
Topic: Selection Criteria

34. People within an organization working on multiple efforts concurrently is an indicator of

A. completely allocated staff.
B. shrewd scheduling.
C. optimized processes.
D. too many projects taken on at once.
Human beings are notoriously bad at multi-tasking. Research has shown that those who claim to be very good at multitasking are actually worse at it.

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Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: The Need for a Project Priority System

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35. Typically, a project sponsor is

A. instrumental in approving a project.
B. key to support a project to its completion.
C. a lower-level staff member.
D. instrumental in approving a project and key to support a project to its completion.
The project sponsor also has the ability to provide budget support and organizational support to the project being accomplished.

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Topic: The Need for a Project Priority System

36. Project Priority Systems can resolve

A. lack of consensus and understanding among top and middle-managers.
B. internal political issues.
C. over-sharing of resources.
D. all of the above.
Project prioritization can give an objective viewpoint into some of the very subjective activities within an organization.

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Topic: The Need for a Project Priority System

37. An operational project is one that

A. must be completed.
B. supports an organizations' long-run mission.
C. can improve organizational performance.
D. is completed to meet regulatory compliance.
There is no real purpose for an operational project other than to improve performance.

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38. A SWOT analysis provides the Project Manager with

A. a direct linkage to goals.
B. identifiable strategic alternative.
C. potential critical issues facing the organization.
D. identifiable strategic alternative and potential critical issues facing the organization.
This simple, but challenging tool can be important in the initial guidance and on-going management of a project.

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Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

39. The strategic activity that focuses on what needs to be accomplished is

A. review and define the organizational mission.
B. analyze and formulate strategies.
C. set objectives to achieve strategy.
D. implement strategies through projects.
Without the appropriate analysis and creation of a strategy, no direction will be set. Without a strategic direction, the organization cannot know how to prioritize the work to be accomplished in any efficient manner.

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Fill in the Blank Questions

40. The process of assessing "what we are" and deciding and implementing "what we intend to be and how we are going to get there" is _____.

strategic management

Strategic management is the process of assessing what we are, what we intend to be and how we are going to get there. It consists of constant scanning of the external environment and allocating resources of the firm to improve its competitive position.

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41. _____ change infrequently and may require revision only when the nature of the business changes or shifts.

Mission statements

Mission statements change infrequently; however, when the nature of the business changes or shifts, a revised mission statement may be required.

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42. _____ translate the organization's strategy into specific, concrete, and measurable terms.

Objectives

Objectives translate the organization strategy into specific, concrete, measurable terms. Organizational objectives set targets for all levels of the organization.

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Blooms: Understand
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43. How strategies will be realized, given available resources, is answered through _____.

implementation

Implementation answers the question of how strategies will be realized, given available resources. The conceptual framework for strategy implementation lacks the structure and discipline found in strategy formulation.

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Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

44. High-ranking managers who endorse and lend political support for the completion of a specific project are known as project _____.

sponsors

Project sponsors are typically high-ranking managers who endorse and lend political support for the completion of a specific project. They are instrumental in winning approval of the project and in protecting the project during the critical development stage.

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Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-07 Understand the need to manage the product portfolio.

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Topic: A Portfolio Management System

45. A weighted scoring model typically uses several weighted selection criteria to evaluate project proposals. An example of this would be a(n) _____.

project screening matrix

A weighted scoring model typically uses several weighted selection criteria to evaluate project proposals. Weighted scoring models will generally include qualitative and/or quantitative criteria. Each selection criterion is assigned a weight. Scores are assigned to each criterion for the project, based on its importance to the project being evaluated. The weights and scores are multiplied to get a total weighted score for the project. Using these multiple screening criteria, projects can then be compared using the weighted score. Projects with higher weighted scores are considered better.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

46. What the organization wants to become and the scope of the firm in terms of its product or service would be identified in the organization's _____.

mission statement

The mission statement identifies "what we want to become," or the raison d"être. Mission statements identify the scope of the organization in terms of its product or service.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

47. In a SWOT analysis, good product quality, low debt, and an established supplier network are examples of internal _____.

strengths

Examples of internal strengths could be core competencies, such as technology, product quality, management talent, low debt, and dealer networks.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

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48. In a SWOT analysis, strong competition, reduced product demand, and a maturing product life cycle are examples of external _____.

threats

Examples of perceived external threats could be a slowing of the economy, a maturing life cycle, exchange rates, or government regulation.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

49. The assessment of the internal and external environments is known as a(n) _____.

SWOT analysis

The keys are to attempt to forecast fundamental industry changes and stay in a proactive mode rather than a reactive one. This assessment of the external and internal environments is known as the SWOT analysis (strengths, weaknesses, opportunities, and threats).

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

50. Strategy is implemented through _____.

projects

Strategy is implemented through projects. Every project should have a clear link to the organization"s strategy.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

51. A project that a powerful, high-ranking official is advocating is often termed a(n) _____.

sacred cow

Project selection may be based not so much on facts and sound reasoning, but rather on the persuasiveness and power of people advocating projects. The term "sacred cow" is often used to denote a project that a powerful, high-ranking official is advocating.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: The Need for a Project Priority System

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52. Starting and stopping work on one task to go and work on another project, and then returning to work on the original task is known as _____.

multitasking

Multitasking involves starting one task only to leave that task to work on another and then having to come back to the original task again. It can add to delays and an increase in cost.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: The Need for a Project Priority System

53. The lack of understanding and consensus of organization strategy among top and middle-level managers is known as the _____.

implementation gap

The implementation gap refers to lack of understanding and consensus of organization strategy among top and middle-level managers. This also can result when top management formulates strategy and leaves implementation to functional managers.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: The Need for a Project Priority System

54. The financial model that measures the time it will take to recover the project investment is the _____ model.

payback

The payback model measures the time it will take to recover the project investment. Shorter paybacks are more desirable. Payback is the simplest and most widely used model.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

55. The financial model that measures the current value of all cash inflows and outflows using management's minimum desired rate of return is known as the _____ model.

net present value (npv)

The net present value (NPV) model uses management's minimum desired rate of return (discount rate, for example, 20 percent) to compute the present value of all net cash inflows.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.

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Topic: A Portfolio Management System

56. In classifying the kinds of projects an organization has in its portfolio, projects that are typically those needed to meet regulatory conditions required to operate in a region are _____ projects.

compliance (must do)

Compliance projects are typically those needed to meet regulatory conditions required to operate in a region; hence, they are called "must do" projects.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

57. In classifying the kinds of projects an organization has in its portfolio, projects that are typically needed to support current operations are _____ projects.

operational

Operational projects are those that are needed to support current operations. These projects are designed to improve efficiency of delivery systems, reduce product costs, and improve performance.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

58. In classifying the kinds of projects an organization has in its portfolio, projects that directly support the organization's long-term mission are _____ projects.

strategic

Strategic projects are those that directly support the organization"s long-run mission. They frequently are directed toward increasing revenue or market share.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

59. When considering criteria used to select projects, capturing a larger market share or reducing the dependency on unreliable suppliers would both be examples of _____ criteria.

nonfinancial

Capturing a larger market share, reducing dependency on unreliable suppliers, preventing government intervention and regulation, making it difficult for competitors to enter the market are all examples of nonfinancial criteria. Both financial and nonfinancial selection criteria should be used when selecting projects.

AACSB: Reflective Thinking

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Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

60. In some cases organizations will use a(n) _____ to solicit ideas for projects when the knowledge requirements for the project are not available in the organization.

RFP (Request for Proposal)

Organizations will solicit ideas for projects when the knowledge requirements for the project are not available in the organization. Typically, the organization will issue an RFP (Request for Proposal) to contractors/vendors with adequate experience to implement the project.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: Applying a Selection Model

61. A list of potential projects, several criteria, weights for those criteria, and criteria scores for those projects are all typically included on a(n) _____ matrix.

project screening

Weighted scoring models will generally include qualitative and/or quantitative criteria to help evaluate a list of projects. Each selection criterion is assigned a weight. Scores are assigned to each criterion for the project based on its importance to the project being evaluated. A project screening matrix is an example of a weighted scoring model.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: A Portfolio Management System

62. _____ the portfolio system involves monitoring and adjusting selection criteria to reflect the strategic focus of the organization.

Managing

Managing the portfolio takes the selection system one step higher in that the merits of a particular project are assessed within the context of existing projects. At the same time it involves monitoring and adjusting selection criteria to reflect the strategic focus of the organization.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: Managing the Portfolio System

True / False Questions

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63. Project management historically has been preoccupied solely with the planning and execution of projects while strategy was under the purview of senior management.

TRUE
Project management historically has been preoccupied solely with the planning and execution of projects. Strategy was considered to be under the purview of senior management, which is old-school thinking.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

64. Intermittent scanning of the external environment is required when managing organization strategy.

FALSE
Two major dimensions of strategic management are responding to changes in the external environment and allocating scarce resources of the firm to improve its competitive advantage. Constant scanning of the external environment for changes is a major requirement for survival in a dynamic competitive environment.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

65. A written mission statement provides focus for decision making when shared by organizational managers and employees.

TRUE
A written mission statement provides focus for decision making when shared by organizational managers and employees. Everyone in the organization should be keenly aware of the organization's mission.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

66. Project managers should not engage in organizational politics.

FALSE
Many would argue that politics and project management should not mix. A more proactive response is that projects and politics invariably mix and that effective project managers recognize that any significant project has political ramifications.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

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Project Management The Managerial Process 7th edition Larson Test Bank

Learning Objective: 02-03 Understand the need for a project priority system.
Topic: The Need for a Project Priority System

67. Organizational objectives set targets for all levels of the organization, not just for top management.

TRUE
Organizational objectives set targets for all levels of the organization. Objectives pinpoint the direction managers believe the organization should move toward. Objectives answer in detail where a firm is headed and when it is going to get there.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

68. Mission statements typically change frequently, responding to changes in the external environment.

FALSE
Mission statements change infrequently. However, when the nature of the business changes or shifts, revised mission and strategy may be required.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

69. Strategy formulation ends with cascading objectives or projects assigned to lower divisions, departments, or individuals.

TRUE
Strategy formulation includes determining and evaluating alternatives that support the organization's objectives and selecting the best alternative. The first step is a realistic evaluation of the past and current position of the enterprise.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

70. If a proposed project does not meet one of the designated "must" objectives, it is immediately removed from consideration.

TRUE
If a project does not meet designated 'must' objectives, it is not considered and removed from consideration. In addition, there is no longer need to score 'want' objectives.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Apply an objective priority system to project selection.

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Topic: Applying a Selection Model

71. The assessment of the external and internal environments is called the SWOT analysis.

TRUE
The keys are to attempt to forecast fundamental industry changes and stay in a proactive mode rather than a reactive one. This assessment of the external and internal environments is known as the SWOT analysis (strengths, weaknesses, opportunities, and threats).

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

72. Objectives should be specific, marketable, assignable, realistic, and time related.

FALSE
Objectives should be specific in targeting an objective. They should establish a measurable indicator(s) of progress. Make the objective assignable to one person for completion and state what can realistically be done with available resources. It should also be stated when the objective can be achieved.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

73. Strategy is implemented through projects.

TRUE
Strategy is implemented through projects. Every project should have a clear link to the organization's strategy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

74. Many organizations have three different kinds of projects in their portfolio: compliance, operational, and sacred cows.

FALSE
Many organizations find they have three different kinds of projects in their portfolio: compliance and emergency (must do), operational, and strategic projects.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

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75. The first step in the Strategic Management Process is to set long-range goals and objectives.

FALSE
The first step is: Review and define the organizational mission.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

76. One benefit of project portfolio management is that it can justify killing a project that doesn't support organization strategy.

TRUE
Some benefits of project portfolio management are balancing risks across all projects, linking project selection to strategic metrics, building discipline into project selection processes and being able to justify killing projects that do not align with organization strategy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: The Need for a Project Priority System

77. Opportunities and threats can be viewed as flip sides of each other; that is, a threat can be viewed as an opportunity, and vice versa.

TRUE
Opportunities and threats are the flip sides of each other. That is, a threat can be perceived as an opportunity, or vice versa. Examples of perceived external threats could be a slowing of the economy, a maturing life cycle, exchange rates, or government regulation.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

78. The information gap refers to the lack of understanding and consensus of organization strategy among top and middle-level managers.

FALSE
The implementation gap refers to the lack of understanding and consensus of organization strategy among top and middle-level managers.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: The Need for a Project Priority System

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79. One way to offset the influence of politics on project management within an organization is to have a well-defined project selection model.

TRUE
Top management needs to develop a system for identifying and selecting projects that reduces the impact of internal politics and fosters the selection of the best projects for achieving the mission and strategy of the firm.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: The Need for a Project Priority System

80. Studies have shown that companies using predominantly financial criteria to prioritize projects yield unbalanced portfolios and projects that aren't strategically aligned.

TRUE
Pure financial models fail to include many projects where financial return is difficult to measure and/or other factors that are vital to the project selection.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

81. Generally, people working on several projects at the same time are more efficient than people working full-time on one project.

FALSE
People working on several tasks concurrently are far less efficient, especially where conceptual or physical shutdown and startup are significant. Multitasking adds to delays and costs.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: The Need for a Project Priority System

82. The NPV financial model measures the time it will take to recover the project investment.

FALSE
The net present value (NPV) model uses management's minimum desired rate of return (discount rate, for example, 20 percent) to compute the present value of all net cash inflows.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

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83. A proposed project that ranks high on most criteria may not be selected because the organization's portfolio already includes too many projects with the same characteristics.

TRUE
A major responsibility of the governance team is to balance projects by type, risk, and resource demand. This requires a total organization perspective. Hence, a proposed project that ranks high on most criteria may not be selected because the organization's portfolio already includes too many projects with the same characteristics.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: Managing the Portfolio System

84. Multiweighted scoring models include only quantitative criteria, not qualitative.

FALSE
Weighted scoring models will generally include qualitative and/or quantitative criteria.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

85. Restricting project proposals within an organization may lead to missed opportunities.

TRUE
Restricting proposals may seem like a good way to limit incoming projects and not overwhelm a strategy team, but it may unnecessarily restrict new ideas from coming to the forefront. Any project restrictions should be applied after the proposals have been brought forward.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: Applying a Selection Model

Short Answer Questions

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86. "Politics and project management should not mix." Agree or disagree and support your position.

Projects and politics invariably mix and effective project managers recognize that any significant project has political ramifications. A good project selection process will minimize the impact of internal politics.

AACSB: Analytical Thinking
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: The Need for a Project Priority System

87. Why do project managers need to understand strategy?

Project managers need to understand strategy so they can make appropriate decisions and adjustments and so they can be effective project advocates.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

88. Why is it important that organizations develop a process to align selected projects with strategic goals?

A result of not having a process that aligns selected projects with strategic goals is poor utilization of resources. Companies that have developed this process have more cooperation across the organization, perform better on projects and have fewer projects.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

89. The typical Strategic Management Process includes four activities. Identify and briefly describe each of those four activities.

(1) Review and define the organizational mission; (2) Analyze and formulate strategies that align with mission; (3) Set objectives to achieve the strategy; (4) Implement strategies through projects.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

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90. The advantages of successful project portfolio management systems are becoming well recognized. Briefly describe three.

The following are all examples of acceptable answers: (1) Builds discipline into project selection process; (2) Links project selection to strategic metrics; (3) Prioritizes project proposals across a common set of criteria, rather than politics or emotion; (4) Allocates resources to projects that align with strategic direction; (5) Balances risk across all projects; (5) Justifies killing projects that do not support organization strategy; (6) Improves communication and supports agreement on project goals.

AACSB: Analytical Thinking
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: The Need for a Project Priority System

91. Identify and briefly describe the five characteristics of effective objectives.

(1) Specific; (2) Measurable; (3) Assignable; (4) Realistic; (5) Time related

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

92. What is a SWOT analysis and how does it relate to the Strategic Management Process?

It is an assessment of the internal and external environments and is the link between reviewing the current mission statement and the development of goals and objectives that support organization strategy.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-02 Identify the significant role projects contribute to the strategic direction of the organization.
Topic: The Strategic Management Process: An Overview

93. What is the implementation gap and how does it impact project management? How can it be prevented?

The implementation gap refers to the lack of understanding and consensus of organization strategy among top and middle-level managers. If managers lack a common understanding of the priority for a given set of projects, then the achievement of long-range goals will be impossible. A project portfolio system can go a long way to reduce or even eliminate this problem.

AACSB: Analytical Thinking

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Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-06 Apply an objective priority system to project selection.
Topic: The Need for a Project Priority System

94. Identify and briefly discuss the three classes of projects usually found in an organization's project portfolio.

(1) Compliance (must do); (2) Operational; (3) Strategic

AACSB: Analytical Thinking
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

95. Management of a portfolio system requires two major inputs from senior management. What are they?

Senior management must provide guidance in establishing selection criteria that strongly align with the current organization strategies and they must decide how they wish to balance the available organizational resources among different types of projects.

AACSB: Analytical Thinking
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: Managing the Portfolio System

96. Why is profitability alone not an adequate measure of a project's value to an organization?

Today management is interested in identifying the potential mix of projects that will yield the best use of human and capital resources to maximize return on investment in the long run. Factors such as researching new technology, public image, ethical position, protection of the environment, core competencies, and strategic fit might be important criteria for selecting projects.

AACSB: Analytical Thinking
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

97. What are the two major shortcomings of using the Checklist approach to select projects?

The Checklist approach fails to determine the relative importance of the project to the firm and fails to compare projects to other potential projects.

AACSB: Analytical Thinking

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Blooms: Create
Difficulty: 3 Hard
Learning Objective: 02-07 Understand the need to manage the product portfolio.
Topic: A Portfolio Management System

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